

# ORIGINAL

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )  
 )  
Amendment of the Commission's )  
Rules and Policies to Increase )  
Subscribership and Usage of the )  
Public Switched Network )

CC Docket No. 95-115

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

## COMMENTS OF LDDS WORLDCOM

WorldCom, Inc., d/b/a LDDS WorldCom ("LDDS WorldCom"), hereby files its comments in response to the Notice of Proposed Rulemaking ("Notice"), FCC No. 95-281, released by the Commission in the above-referenced proceeding on July 20, 1995. While LDDS WorldCom questions the empirical basis for the FCC's contention that its current universal service policies require significant revision at this time, we applaud the Commission's continuing interest in considering reasonable, carefully-tailored policies aimed at increasing the subscribership and usage of the public switched network.

LDDS WorldCom believes the FCC should give serious consideration to several of the "narrow, tailored solutions" suggested in the Notice.<sup>1</sup> However, LDDS WorldCom strongly opposes the Commission's proposal to prohibit the local exchange carriers ("LECs") from terminating local exchange service to their customers for nonpayment of long distance service charges. Such a proposal is wholly unsupported by any empirical evidence, would be needlessly broad, and would result in significant and unwarranted harm to the interexchange carrier ("IXC") industry.

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<sup>1</sup> Notice at para. 3.

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## **I. BACKGROUND**

In its Notice, the Commission states that, even though the percentage of U.S. households receiving telephone service has climbed to almost 94 percent in recent years, "subscribership is much lower in certain geographic areas and among certain demographic groups."<sup>2</sup> As a result, the Commission believes that, "although our universal service policies have been relatively successful, additional measures may now be necessary."<sup>3</sup> The Commission stresses that these proposed measures are intended to be "narrow, targeted solutions" to meet the needs of those households which today do not receive telephone service.<sup>4</sup> The Commission cites several measures to remedy the problem of customers becoming disconnected because of failure to pay long distance charges, such as voluntary long-distance blocking services, long distance usage limitations, assistance with connection charges and deposits, and Lifeline assistance. The Notice also suggests that the Commission adopt a policy which prohibits the local exchange carriers from disconnecting local service for a customer's failure to pay its interstate long distance service charges.

## **II. LDDS WORLDCOM SUPPORTS SEVERAL OF THE PROPOSALS ADVANCED BY THE COMMISSION DESIGNED TO INCREASE SUBSCRIBERSHIP AND USAGE OF THE PUBLIC SWITCHED NETWORK**

Initially, LDDS WorldCom questions the need for this proceeding at this particular time. As the Commission itself states, "[w]e begin with the assumption that a 100

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<sup>2</sup> Notice at para. 1.

<sup>3</sup> Notice at para. 2.

<sup>4</sup> Notice at para. 3.

percent penetration level is not possible."<sup>5</sup> Indeed, it seems clear that there will always be numerous individuals who decide, for whatever reason, not to be connected to the public network from their homes. The question for the Commission to consider is how to address those individuals who desire local and long distance service, but cannot afford it. With penetration levels at nearly 94 percent, it is not clear that statistically significant evidence exists which points up a compelling public interest need for regulatory measures beyond those already in place.<sup>6</sup>

Nonetheless, LDDS WorldCom supports several of the proposals outlined in the Notice. In particular, we strongly support: (1) greater assistance with a customer's connection charges and deposits; (2) a more focused approach to Lifeline assistance, and (3) more concerted consumer education efforts. Such proposals, if adopted, would offer "narrow, targeted solutions" to meet the Commission's concerns about universal service.

LDDS WorldCom also supports adoption of voluntary call control restrictions, which would allow a subscriber to voluntarily block his or her usage of long distance service by call, minutes, or dollars. Voluntary toll restrictions would enable long distance customers to tailor their household calling patterns to their own unique financial situation. Such measures would address the heart of the problem: people who order service and then either cannot or will not pay for such service at a later date. By allowing customers to alter the "use now, pay later"

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<sup>5</sup> Notice at para. 44.

<sup>6</sup> LDDS WorldCom also notes that the Commission's question about using the Internet and cable television as universal service substitutes appears to be unrealistic. Notice at para. 2. If an individual cannot or will not pay for local telephone service -- with or without long distance service -- it does not appear likely that this same person instead would purchase and pay for a computer and on-line service access, as well as monthly cable television service, as a substitute.

mentality that is largely unique to telephone service. voluntary call restriction measures will allow fewer customers to default on their long distance accounts, resulting in fewer terminations of long distance service. Overall subscribership levels should rise as a result. Indeed, the adoption of a voluntary toll restriction rule in Pennsylvania could be one of the primary reasons for the relatively high telephone subscribership figures in that state.

With the adoption of these proposals, the Commission would have successfully addressed its stated concerns about telephone subscribership in a measured, focused manner. In sharp contrast, however, the blanket "no disconnect" rule that is also under consideration should be rejected as not in the public interest.

### **III. THE COMMISSION'S PROPOSAL TO PROHIBIT LECS FROM DISCONNECTING LOCAL SERVICE FOR A CUSTOMER'S FAILURE TO PAY LONG DISTANCE CHARGES IS UNSUPPORTED, MISDIRECTED, AND WOULD NEEDLESSLY INCREASE TOLL FRAUD AND INFLATE OPERATING COSTS FOR LONG DISTANCE COMPANIES**

LDDS WorldCom strongly opposes the Commission's proposal to prohibit the local exchange carriers from disconnecting local telephone service for a customer's failure to pay valid, owed long distance charges. Such a blanket proposal is unsupported by the evidence, does not constitute a "narrow, targeted" solution, and, if adopted, would result in substantially higher collection and other related expenses by long distance companies.

Initially, LDDS WorldCom points out that the Commission in 1986 declined to exercise its claimed Title I jurisdiction over billing and collection matters, including "local cut-

offs," and deferred such issues to the states.<sup>7</sup> The FCC found that this approach "does not seem to have any adverse effects from either a consumer or competitive standpoint."<sup>8</sup> Indeed, the FCC noted that "[t]he consensus among virtually all categories of commenters is that this Commission should defer permanently to state regulatory authorities with respect to local cut-offs because the issues raised by this practice are better suited to state resolution."<sup>9</sup> As a result, the FCC concluded that "the practicalities weigh in favor of state resolution."<sup>10</sup> Thus, for nearly ten years, the states have decided individually how best to deal with the "local cut-off" issue. By now suggesting for the first time that it may adopt a policy that directly affects all billing and collection practices of the LECs, the Commission in effect will be embarking on new federal preemption and eviscerating its nearly decade long deference to the states in this area. The FCC should reassess its proposal on these grounds alone

Moreover, on its face the "no disconnect" rule would not even accomplish what the Commission has set out to achieve. The Notice indicates that the policy would apply to interstate services alone; "intrastate calling would not be subject to this prohibition."<sup>11</sup> Yet most LEC customers will have a combination of interstate toll and intrastate toll calls on their bills. If the Commission's policy reaches only interstate calls, the LECs will retain the ability to disconnect local service for non-payment of other toll charges, subject to any regulation

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<sup>7</sup> Detariffing of Billing and Collection Services, Report and Order, 102 FCC 2d 1150 (1986) ("Billing and Collection Order"), recon. denied, 1 FCC Rcd 445 (1986).

<sup>8</sup> Billing and Collection Order, 102 FCC 2d at 1176.

<sup>9</sup> Id. at 1165.

<sup>10</sup> Id. at 1176.

<sup>11</sup> Notice at para. 12.

imposed by the state commissions. The Commission nowhere discusses this apparent anomaly.

In addition, the FCC offers no statistical correlation or proof that such a measure will in fact increase subscribership. The only "empirical evidence" which the Commission notes is the slightly higher subscribership penetration levels in Pennsylvania.<sup>12</sup> However, there may be other explanations for Pennsylvania's figures. In particular, the voluntary toll restriction rule and the telecommunications education fund, which are both used in Pennsylvania, may be the reason for this relatively higher level of subscribership, not the "no disconnect" rule. The FCC has failed to provide the necessary evidentiary link between facts found and policies proposed.

These initial failings aside, adoption of a blanket "no disconnect" rule simply would be bad public policy. Among other problems, the rule certainly would not be a "narrow, tailored solution" because it would apply to all long distance customers, not just the less than 6 percent of the population "in certain geographic areas and among certain demographic groups" which the FCC has identified as the only reason for this inquiry.<sup>13</sup> Adoption of a "no disconnect" rule would completely ignore the crux of the problem that the Commission itself has identified: certain people ordering service for which they are unable or unwilling to pay.<sup>14</sup>

It is obvious that adoption of a blanket "no disconnect" proposal would unfairly penalize long distance companies and increase the incidence of toll fraud. Unlike most goods,

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<sup>12</sup> Notice at para. 30.

<sup>13</sup> Notice at para. 1.

<sup>14</sup> Solely focusing on adoption of a blanket "no disconnect" rule also ignores the fact that other means of telephone communications are available to the low income consumer should his or her local telephone service be disconnected for failure to pay long distance charges. Among other options, pay telephones, prepaid local and long distance calling cards, and central calling facilities are all viable alternatives that are readily available to the consumer. See Notice at para. 38.

telephone services cannot be recouped from the customer if he or she does not pay the bill. In the vast majority of states where the LEC is allowed to disconnect local service for nonpayment of long distance bills, the long distance company at least has some leverage to recover some or all of its valid, owed charges. A blanket "no disconnect" rule would eliminate that leverage. As a result, more people will avail themselves of risk-free long distance calling with no intention of paying despite their ability to do so.<sup>15</sup> For example, the "no disconnect" rule undoubtedly would exacerbate the problem of "carrier hopping," whereby customers repeatedly change their presubscribed carrier to avoid paying IXC bills and becoming subject to IXC-imposed blocks. In addition, long distance companies would face the prospects of increased fraud by certain end users who take advantage of the "no disconnect" rule by using "10-XXX" dialing to move from one long distance company to another without paying any of their bills. Thus, long distance companies will experience a dramatic increase in uncollectibles as customers continue to receive local service while refusing to pay for their valid, owed long distance charges.

Inevitably, then, under a "no disconnect" rule, long distance companies will face significantly higher unpaid bills by customers before their long distance service is disconnected, as well as increased collection costs after cutoff of long distance service. Such bad debt expenses likely could only be recovered by passing them on to the consumer in the form of

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<sup>15</sup> LDDS WorldCom further believes that the "no disconnect" proposal will increase IXC losses to subscription fraud by preventing the LECs from disconnecting service to customers engaged in calling patterns which indicate an intent to defraud. In comments filed in CC Docket No. 93-292, the long distance industry urged the Commission to grant the LECs additional discretion to interrupt local service to prevent ongoing instances of toll fraud. See, e.g., Comments of the Interexchange Industry Toll Fraud Subcommittee, at 18. The FCC should not adopt a proposal in this proceeding which conflicts with the Commission's own longstanding desire to reduce fraud.

higher telephone rates -- which in turn could force more consumers off the public switched network. Thus, ironically, the blanket "no disconnect" rule could result in higher costs to long distance companies, higher rates for long distance consumers, and lower telephone subscribership, with no corresponding benefit to the ultimate goal of universal service.

In short, the blanket "no disconnect" rule is a bad public policy in search of a rationale. The Commission should adopt the other proposals outlined in its Notice, but should leave the issue of billing and collection policies to be decided by the individual states.

#### IV. CONCLUSION

For the reasons articulated above, the Commission should adopt a number of the options it has proposed in its Notice of Proposed Rulemaking in this proceeding. However, the Commission should not adopt a national policy which prohibits the local exchange carriers from disconnecting a customer for failure to pay for valid long distance charges.

Respectfully submitted,



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September 27, 1995



## CERTIFICATE OF SERVICE

I, Cecelia Johnson, hereby certify that I have this 27th day of September, 1995 sent a copy of the foregoing "Comments of LDDS WorldCom" by hand delivery to the following:

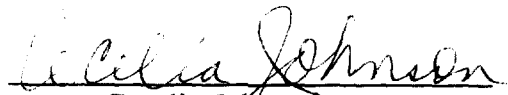
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